

Date: July 7, 2009

To: Thomas J. Bonfield, City Manager

Through: Theodore L. Voorhees, Deputy City Manager

From: Joel V. Reitzer, Director, General Services Department
Kevin S. Dick, Director, Office of Economic and Workforce Development
Shelia A. Huggins, Interim Real Estate Manager, General Services Department

Subject: Greenfire Long-term Parking Leases at Lot 20 and the Chapel Hill Street Garage

Executive Summary

On March 17, 2008, the City Council approved the non-binding Deal Points Agreement authorizing the Office of Economic and Workforce Development to proceed with the negotiation of a Development Agreement between the City of Durham and Greenfire Real Estate Holdings, LLC (Greenfire). The Deal Points Agreement included provisions for Greenfire to obtain long-term parking leases in Lot 20 and in the Chapel Hill Street Garage. Since that time, the City has continued to negotiate with Greenfire and now anticipates entering into a new incentive agreement which would be contingent upon the execution of long-term parking leases to support the redevelopment projects.

Greenfire proposes to lease 68 parking spaces in Lot 20 and 25 spaces in the Chapel Hill Street Garage. The term of the leases would be for twenty years, with the base rent for both leases to be \$45 per space for years one through ten and \$55 per space for years eleven through twenty. The base rent for the last ten years of the term would be subject to upward adjustment to make the rate equal to other similar city parking spaces that have a higher rental rate, which rates are established by the City Council. The leases would provide anticipated total revenues of \$1,116,000.00.

Recommendation

The General Services Department and the Office of Economic and Workforce Development recommend that City Council:

- (1) adopt the resolution that authorizes the City Manager to advertise for upset bids in accordance with G.S. 160A-269 for the lease of 68 spaces in Lot 20 and 25 spaces in the Chapel Hill Street Garage and provides that if no upset bids are received, the City Manager may accept the offer from Greenfire to lease 68 spaces in Lot 20 and 25 spaces in the Chapel Hill Street Garage for a period of twenty years at the rate of \$45 per month per

- parking space for years one through ten and \$55 per month per parking space, subject to upward adjustment, for years eleven through twenty; and
- (2) authorize the City Manager to execute the Lease Agreements and make changes to the Agreements prior to execution provided such changes do not differ from the intent of the Agenda Memo.

Background

On March 17, 2008, the City Council approved the non-binding Deal Points Agreement authorizing the Office of Economic and Workforce Development to proceed with the negotiation of a Phase II Development Agreement between the City of Durham and Greenfire. The Deal Points Agreement included provisions for Greenfire to obtain long-term parking leases in Lot 20 and in the Chapel Hill Street Garage, and it was anticipated that these provisions would also be included in the Phase II Development Agreement.

Since that time, the City and Greenfire have worked to negotiate smaller components of the original Phase II Development Agreement. These smaller components include the redevelopment of the Hill Building and three smaller downtown properties. The resulting new agreement arising from the continued negotiations, the Greenfire Economic Incentive Contract for Capital Investments for “Smaller Properties” and “Hill Building” in Downtown Durham (Incentive Contract), is expected to be executed in August 2009, subject to majority vote by City Council. The long-term leases for Lot 20 and the Chapel Hill Street Garage are a contingent component of the Incentive Contract.

Lot 20 is a 69 space surface lot located at 108 South Corcoran Street. It is fully leased on a month-to-month basis and is managed under the Parking Facility Management Agreement with Lanier Parking Solutions of North Carolina, Inc. Greenfire proposes to lease 68 parking spaces in Lot 20 for a period of twenty years at the rate of \$45 per month per parking space for years one through ten and \$55 per month per space for years eleven through twenty with the last ten years of the term subject to upward adjustment to make the rate equal to other similar city parking spaces that have a higher rental rate, which rates are established by the City Council. The anticipated revenue from this agreement is \$816,000.00.

The Chapel Hill Street Garage is a multi-story 380 parking space facility located at the intersection of East Chapel Hill Street and Mangum Street. The garage contains public, handicapped, and leased spaces and is managed under the Parking Facility Management Agreement with Lanier Parking Solutions of North Carolina, Inc. Greenfire proposes to lease 25 parking spaces in the garage for a period of twenty years at the rate of \$45 per month per parking space for years one through ten and \$55 per month per space for years eleven through twenty. The anticipated revenue from this agreement is \$300,000.00.

Both lease agreements are necessary to meet the needs associated with the components of Greenfire’s redevelopment projects, and together they will generate 93 new parking leases and \$1,116,000.00 in revenue for the City.

Issues/Analysis

In August 2009, the City anticipates entering into the Greenfire Economic Incentive Contract for Capital Investments for “Smaller Properties” and “Hill Building” in Downtown Durham (Incentive Contract). The Incentive Contract would provide for the redevelopment of approximately 9,000 square feet of retail space, 5,000 square feet of office space, and 12,000 square feet of residential space within the Smaller Properties and 150 hotel rooms in the Hill Building. The City is relying on the anticipated revenue from the parking lease agreements as part of the City’s calculus for entering into the Incentive Contract. Thus, the long-term parking leases for Lot 20 and the Chapel Hill Street Garage are not only vital to the success of these projects but are also a contingent component of the Incentive Contract upon which the City has based the incentives to Greenfire.

Lot 20 currently has 75 month-to-month parking leases and 4 handicapped spaces. Once the long-term leases with Greenfire are executed, the lessees will be given the option of relocating to other City-owned parking facilities. There are no anticipated relocations of lessees from the Chapel Hill Street Garage.

Alternatives

The City Council may decide not to approve the long-term parking leases proposed for Lot 20 and the Chapel Hill Street Garage. This alternative is not recommended because the proposed Incentive Contract is contingent upon the execution of the long-term leases, and failure to execute the long-term leases would likely cause a delay in the redevelopment project and in Greenfire’s ability to secure financing for the project.

Financial Impact

Revenues to the City*

Parking Facility	Number of Parking Spaces	Term (Mo.)	Base Rent \$45 (Yrs. 1-10)	Base Rent \$55 (Yrs. 11-20)	Anticipated Total Revenue
Lot 20	68	240	\$367,200	\$448,800	\$816,000
Chapel Hill Street Garage	25	240	\$135,000	\$165,000	\$300,000
Total	93		\$502,200.00	\$613,800.00	\$1,116,000.00

*Revenue estimates are based on the rates in the proposed agreements and do not presume any additional increase by City Council in the monthly rental rate for parking spaces during the term of the proposed agreements.

SDBE Summary

This item does not require review by the Office of Equal Opportunity and Equity Assurance.

Attachments

- Exhibit A City Parking Lease Agreement Form
- Exhibit B Resolution Authorizing Upset Bid Process to Lease Parking Spaces in Lot 20 and the Chapel Hill Street Garage
- Exhibit C Parking Map